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REGULATORY AUTH.



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March 3, 1999 OF THE
EXECUTIVE SECRETARY

Guy M. Hicks
General Counsel

VIA HAND DELIVERY

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: *BellSouth Telecommunications, Inc.'s Tariff Filing to Offer LATA Wide Area Plus Service*
Docket No. 98-00634

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of the non-proprietary portions of BellSouth Telecommunications, Inc.'s Responses to AT&T's First Data Requests and Requests for Production of Documents. The following responses are considered proprietary and will be provided upon entry of a Protective Order in this matter: Item 2, Attachments A and B; Item 6; Item 10, Attachment; Item 17, Attachment. Copies of the non-proprietary portions are being provided to counsel of record for all parties.

Very truly yours,

Guy M. Hicks

GMH:ch
Enclosure

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 1
Page 1

REQUEST: Please explain why BellSouth desires to offer a service which provides a different metric for IntraLATA calls, i.e., a monthly fee basis rather than a per minute basis? Please produce all documents, including but not limited to memoranda, workpapers, and analyses, which support or underlie BellSouth's desire to offer intraLATA service on a monthly fee basis.

RESPONSE: BellSouth has been offering for some time service for intraLATA calling based on a monthly fee, rather than per minute charges, as evidenced by its existing 40 mile Area Plus[®] and Area Plus w/Complete Choice[®] plans. In states where BellSouth is presently offering Area Plus[®] on a LATAwide basis (Alabama, Florida, Georgia, Kentucky, Louisiana, North Carolina, and South Carolina), the subscription rate to these plans demonstrates that BellSouth's customers find this structure appealing. The industry also appears to be moving to this type of pricing structure. Sprint is presently offering unlimited calls on weekends for a flat amount. Many wireless providers also are offering unlimited calls on weekends for a flat fee.

BellSouth objects to the request for production on grounds that it is overly broad and unduly burdensome for BellSouth to produce every document referring or relating to BellSouth's offering intraLATA service on a monthly fee basis, particularly with respect to services that are not at issue in this proceeding. Subject to this objection, and without waiving this objection, documents responsive to this request with respect to BellSouth's offering of Area Plus[®] on a LATAwide basis will be made available upon entry of a protective order.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 2
Page 1

REQUEST: How much additional revenue does BellSouth expect to realize on an annual basis as a result of introducing its LATA wide Area Calling Plan? Please produce all documents, including but not limited to memoranda, workpapers, and analyses, which underlie or support BellSouth's calculation of the annual revenue it expects to realize from its LATA wide Area Calling Plan.

RESPONSE: BellSouth projects that the LATA wide Area Calling Plan will generate an additional \$2.3 million in annual revenue.

The documents responsive to this request include the priceout that BellSouth filed with the TRA in support of this revenue estimate together with Descriptions of Columns and Calculations Used in the Priceout of Tennessee LATA Wide Area Plus[®] and Area Plus w/Complete Choice[®].

BellSouth will make these documents available upon entry of a protective order.

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BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 3
Page 1

REQUEST: What assumptions, such as take rates and subscriptions level, underlie or support the calculation of the additional revenue BellSouth expects to realize on an annual basis as a result of its LATA wide Area Calling Plan?

RESPONSE: See response to Item No. 2.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 4
Page 1

REQUEST: Please produce cost information and revenue analyses similar to the information BellSouth produced in Kentucky in Case Nos. 98-287 and 288 on April 13, 1998, and May 11, 1998, and produce all documents, including but not limited to memoranda, workpapers, and analyses, which underlie or support the revenue analysis and cost information.

RESPONSE: BellSouth objects to this request on grounds that the information produced by BellSouth in Kentucky in Case No. 98-287 on April 13, 1998, and May 11, 1998, pertained to the BellSouth 25¢ Call Plan[®] which is not relevant to this docket. Subject to this objection, and without waiving this objection, BellSouth will make available information for Tennessee similar to information produced on May 11, 1998, in Kentucky in Case No. 98-288 pertaining to LATA Wide Area Plus[®] service upon entry of a protective order.

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BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 5
Page 1

REQUEST: Please provide narrative explanations of the information provided in response to Data Request No. 4 similar to the narrative BellSouth provided in response to KPSC Data Request Nos. 4 and 7 in Case Nos. 98-287 and 288.

RESPONSE: See response to Item No. 2. BellSouth objects to this request on grounds that the information produced by BellSouth in Kentucky in Case No. 98-287 on April 13, 1998, and May 11, 1998, pertained to the BellSouth 25¢ Call Plan[®] which is not relevant to this docket.

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BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 6
Page 1

REQUEST: What is the target market for BellSouth's LATA wide Area Calling Plan? Please produce all documents, including but not limiting to memoranda, workpapers, and analyses, which underlie or support BellSouth's identification of the target market for its LATA wide Area Calling Plan.

RESPONSE: BellSouth will propose LATA Wide Area Plus[®] service, generally, to customers spending more than _____ in intraLATA toll, since the Company believes it is a better value for these customers. BellSouth will certainly sell this plan to any customer that wants it. This plan has proven attractive to customers that want to remove the worry of when calls are placed, how often they call, and how long they talk.

BellSouth considers this dollar amount to be proprietary information and will make it available upon entry of a protective order.

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BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 7
Page 1

REQUEST: What is the anticipated take rate for BellSouth's LATA wide Area Calling Plan? Please explain in detail how this take rate was determined and produce all documents, including memoranda, workpapers and analyses which underlie or support the anticipated take rate.

RESPONSE: See response to Item No. 2.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 8
Page 1

REQUEST: What take rate was estimated for winbacks for BellSouth's LATA wide Area Calling Plan? Please explain in detail how this take rate for winbacks was determined and produce all documents, including memoranda, workpapers and analyses which underlie or support the anticipated take rate for winbacks.

RESPONSE: None, since the projected revenue estimates for BellSouth's offering Area Plus[®] on a LATAwide basis do not include an estimate for winbacks.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 9
Page 1

REQUEST: Is the LATA wide Area Calling Plan designed to be more attractive to larger or smaller customers? Please explain why?

RESPONSE: See response to Item No. 6.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 10
Page 1

REQUEST: What stimulation rate has BellSouth assumed for its LATA wide Area Calling Plan? Please produce all documents including but not limited memoranda, workpapers and analyses, which underlie or support the stimulation rate BellSouth assumed for its LATA wide Area Calling Plan.

RESPONSE: BellSouth assumed a stimulation factor of 100% for usage to be area added to Area Plus[®] service by this LATAwide offering. Documents responsive to this request contain information which BellSouth considers proprietary. Those documents will be made available upon entry of a protective order.

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BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 11
Page 1

REQUEST: Please produce all documents pertaining or relating to any and all market research conducted by BellSouth in connection with its LATA wide Area Calling Plan.

RESPONSE: No market research has been done specific to its LATAwide Area Plus[®] service plan.

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BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 12
Page 1

REQUEST: To what customers does BellSouth intend to direct market its LATA wide Area Calling Plan?

RESPONSE: See response to Item No. 6.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 13
Page 1

REQUEST: Please provide the impact on cost and revenue that would occur if BellSouth marketed its LATA wide Area Calling Plan to all customers.

RESPONSE: BellSouth has not performed any studies to determine the requested impact.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 14
Page 1

REQUEST: Does BellSouth intend to mass advertise its LATA wide Area Calling Plan?

RESPONSE: No decision has been made on this issue, although BellSouth may use mass advertising in some locations.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 15
Page 1

REQUEST: How did BellSouth develop the amount of the monthly subscription fee for its LATA wide Area Calling Plan? Please produce all documents, including but not limited to memoranda, workpapers, and analyses, which support or underlie BellSouth's' development of the monthly subscription for its LATA wide Area Calling Plan.

RESPONSE: The existing monthly recurring rate for the 40 mile Area Plus[®] plan was used as the starting point to determine the LATAwide subscription rate. BellSouth then determined the average amount of intraLATA toll revenue that was still generated by the existing Area Plus[®] customers on a per month basis and added it to the existing Area Plus[®] rate to develop the LATAwide rate. This method allows the existing Area Plus[®] customers to migrate to the LATAwide plan, essentially on a revenue neutral basis. No documents exist describing this development process.

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BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 16
Page 1

REQUEST: Did BellSouth impute any costs in developing the monthly fee, e.g. marketing, billing, network, and access?

RESPONSE: BellSouth imputed costs consistent with T.C.A. § 65-5-208 (c), which states that the "price floor shall equal the incumbent local exchange telephone company's tariffed rates for essential elements utilized by competing telecommunications service providers plus the total long-run incremental cost of the competitive elements of the service."

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 17
Page 1

REQUEST: Did BellSouth impute access costs when it developed the monthly fee? If so, please produce all documents, including workpapers, memoranda, and analyses that form the basis of such imputation. If not, please explain why not, and produce all documents which support BellSouth's rationale for not imputing access.

RESPONSE: See response to Item No. 16. Documents responsive to this request will be made available upon entry of a protective order.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 18
Page 1

REQUEST: What is the incremental cost to BellSouth of implementing its LATA wide Area Calling Plan, including both fixed and recurring costs? Please produce all documents which underlie or support the calculation of the incremental cost to BellSouth of implementing its LATA wide Area Calling Plan.

RESPONSE: BellSouth has not performed any studies to determine the requested information.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 19
Page 1

REQUEST: Please provide any information in BellSouth's possession that indicates the expected conversation minutes-of-use that its LATA wide Area Calling Plan will generate.

RESPONSE: See responses to Item Nos. 4 and 10.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 20
Page 1

REQUEST: Please provide any information in BellSouth's possession that indicates the number of conversation minutes that the plan must generate, to the average customer, before the effective price per-minute is lower than (sic) BellSouth's intraLATA switched access rate in Tennessee.

RESPONSE: BellSouth has not performed any studies to determine the requested information.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 21
Page 1

REQUEST: Please provide any information in BellSouth's possession that indicates the level of stimulation expected in BellSouth's intraLATA minutes in Tennessee as a result of the introduction of BellSouth's LATA wide Area Calling Plan.

RESPONSE: BellSouth has not performed any studies to determine the requested information.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 22
Page 1

REQUEST: Please provide all documents, including memoranda, analyses, and work papers identifying entire LATAs as communities of interest.

RESPONSE: BellSouth is not aware of any documents which identify entire LATAs as communities of interest. The LATA Wide Area Plus[®] service plan is an optional offering that was designed to address the calling needs of individual customers. Community of interest studies are normally associated with non-optional offerings, i.e. Extended Area Service (EAS) proposals between two exchanges.

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BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 23
Page 1

REQUEST: What percentage of BellSouth's current intraLATA toll customers, if they subscribed to BellSouth's plan, would pay less per month under BellSouth's plan than the amount IXCs would have to pay BellSouth for intraLATA switched access for a similar number of intraLATA toll calls per month?

RESPONSE: BellSouth has not conducted any studies to determine the requested information.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 24
Page 1

REQUEST: Will BellSouth offer intraLATA carriers the option to purchase intraLATA access on a per customer basis or a per minute basis?

RESPONSE: When access charges were originally implemented by the Federal Communication Commission ("FCC") and by State Commissions, they applied on a per minute of use basis. Since that time, switched access charges have evolved to include various rate applications, minute of use and flat-rate. BellSouth will, for the most part, mirror the structure and rates contained in the FCC tariff, and BellSouth is not aware of any plans to move completely to a per call rate application.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 25
Page 1

REQUEST: If it will not, please explain why BellSouth will not offer intraLATA carriers the option of buying access on a per customer or per minute basis, other than the current structure of access charges or current tariffs.

RESPONSE: Please see response to Item No. 24.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 26
Page 1

REQUEST: What is the cost that BellSouth incurs to provide intraLATA switched access in Tennessee? Please produce all documents, including memoranda, workpapers, and analyses, that indicate the cost that BellSouth incurs, on a per-minute basis, to provide intraLATA switched access services in Tennessee.

RESPONSE: BellSouth objects to this request to the extent it seeks information not relevant to any issue in this proceeding nor reasonably calculated to lead to the discovery of admissible evidence. Subject to this objection, and without waiving this objection, please see response to Item No. 17.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 27
Page 1

REQUEST: Please produce all documents, including memoranda, workpapers, and analyses, that indicate the cost that BellSouth incurs, on a per customer per month basis, to provide intraLATA switched access services in Tennessee.

RESPONSE: Please see response to Item No. 26.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 28
Page 1

REQUEST: How are the arrangements for originating and terminating calls different for LATA wide Area Plus calls compared to long distance calls?

RESPONSE: The dialing arrangements for originating and terminating calls for the additional scope provided in this filing are not any different than for long distance calls. The customer will continue to dial 1 plus ten digits to complete a call.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 29
Page 1

REQUEST: Please describe the compensation arrangements between BellSouth and any other LECs or CLECs in Tennessee for originating and/or terminating LATA wide Area Plus Calls.

RESPONSE: For Incumbent Local Exchange Carriers (ILECs), BellSouth would pay the terminating ILEC switched access charges, pursuant to the existing Modified Revenue Distribution Fund agreement. BellSouth is not aware of any ILECs offering that type service to their customers for termination to a BellSouth customer.

For CLECs, the basis for compensation would depend upon how the various agreements define local traffic. If the agreement would include the traffic as local, the basis would be the negotiated local interconnection rate. If it is not local, switched access charges would apply.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 30
Page 1

REQUEST: Produce any and all documents that identify or set forth the arrangements referred to in Data Request No. 29, including specifically any agreements with LECs and CLECs.

RESPONSE: BellSouth objects to this request on grounds that it is overly broad and unduly burdensome to the extent it seeks information about hundreds of contracts between BellSouth and other carriers, many of which are readily available from the TRA. Subject to this objection, and without waiving this objection, attached is an example for the Tennessee Modified Revenue Distribution Fund, which is typical of the agreement between BellSouth and other LECs.

EXHIBIT C
BASIS OF COMPENSATION
INTRALATA SWITCHED TOLL SERVICES ANNEX
Effective: July 1, 1992

Attached to and make a part of the IntraLATA Toll Switched Services Annex effective January 1, 1985.

This Exhibit sets forth the basis of compensation for switched toll service of the type in which the Bell Company and the Independent Companies jointly participate, and is described in the IntraLATA Switched Toll Services Annex.

Compensation amounts which the Independent Company and the Bell Company are to receive for their participation in the handling of intraLATA switched toll services, as defined in the Annex shall be determined as set forth below. This new basis of compensation is hereby referred to as the Tennessee Modified Revenue Distribution Fund (MRDF).

A. For the purpose of compensation under this Exhibit:

1. Revenues are amounts chargeable to customers for

intraLATA switched toll services (MTS, WATS and 800 Service) provided exclusively by exchange carriers under a common tariff filed by the Bell Company and concurred in by the Independent Company. Uncollectible revenues and revenue associated with official company toll calls are included. Each party accepts the responsibility for the collection efforts on revenues billed by it and on calls originating on its system which are returned under the Responsible Company Toll Investigation Plan.

2. Modified Revenue Distribution Fund (MRDF) is a compensation arrangement whereby all of the intraLATA toll revenues billable by South Central Bell and the Independent Company under this agreement, are reported and remitted to South Central Bell. South Central Bell pays the Independent Company access charges for its participation in the provision of intraLATA toll services.
3. Access function means a service function performed for and necessary to the provision of intraLATA switched toll service including switched access service similar to Feature Group C, billing and collection service, and directory assistance service as defined in the Exchange Carrier Association interstate access tariffs filed with

the Federal Communications Commission. Access functions include recording, rating, billing, end office switching, transport, carrier common line, and toll directory assistance.

4. Network function means a service function performed for and necessary to the provision of intraLATA switched toll service but which is not an access function as defined under the access tariffs.

The service function may be:

- a. Services provided by operators, including but not limited to, intraLATA toll operator assistance, toll operating, and intra-NPA Directory Assistance (DA) and/or,
 - b. Network functions, i.e., intraLATA tandem switching and/or line haul between the assumed POP locations for intraLATA switched toll service.
- B. South Central Bell will receive all of the intraLATA switched toll services revenue billable by the Independent Company under

the South Central Bell toll tariff. The Independent Company shall remit the revenues as defined in Paragraph A.1. above to South Central Bell.

- C. The Independent Company shall receive monthly from South Central Bell its compensation for the provision of intraLATA switched toll services, as defined in Paragraph A.1. herein, for the period covered and in an amount to be determined as follows:
1. The Independent Company receives its traffic sensitive and ancillary access function compensation as follows:
 - a. Compensation is determined by applying the Independent Company's access charge tariff traffic sensitive and billing and collection rates for those functions provided by the Independent Company, to the current month's intraLATA switched toll traffic provided under this Annex. The traffic sensitive access tariff rates used in this calculation will be those approved by the Federal Communications Commission (FCC) as of June 1, 1985. For purposes of determining intraLATA access charges, a point of presence (POP) will be assumed to exist at the end office side of each intraLATA tandem switch for each end office served by the switch.

- b. Where local transport is jointly provided and both companies involved have identical transport rates, the end office company will receive its local transport compensation by applying a Transport Split Factor (TSF) to the total calculated local transport charges for a given end office. The TSF will be computed using the following formula:

$$TSF = (1/2) \times 0.70* + (E/(E + P)) \times .30*$$

Where E represents the airline mileage from the end office to the point of connection and where P represents the airline mileage from the intraLATA POP to the point of connection.

The POP Company shall receive its local transport compensation by applying the inverse TSF (1-TSF) to the total calculated local transport charges for a given end office.

- * Approximately seventy percent (70%) of the total transport cost is attributable to carrier/radio terminals while the remaining thirty percent (30%) is attributable to line facilities.

c. Where local transport is jointly provided and the two companies involved have different transport rates, a composite equivalent rate will be developed for application to the minutes transversing the joint transport facility. The composite equivalent rate will be developed in a manner that will cover each company's transport rate for the portion of transport that it provides. In determining each company's transport rate for the portion of transport provided, the "seventy percent (70%) non-distance sensitive loading philosophy" employed in Paragraph C.1.b. above will be utilized where appropriate. After determining each company's transport rate for the portion of transport provided, a Transport Split Factor (TSF) will be calculated that will represent the end office company's portion of total transport charges. The POP company shall receive its local transport compensation by applying the inverse TSF ($1 - \text{TSF}$) to the total local transport charges for a given end office.

d. Until such time as the parties develop the means

to identify originating intraLATA OUTWATS usage by end user serving wire center, each company shall receive a percent of its monthly intrastate, intraLATA billed OUTWATS usage revenue as a surrogate for originating carrier common line access compensation. The percent to be used shall be 25% based on a composite ratio of carrier common line compensation per access minute compared to OUTWATS customer billed usage revenue per access minute. Since the wire centers involved with the traffic sensitive elements of OUTWATS usage are easily identified, access compensation for the traffic sensitive elements of OUTWATS usage will be handled as described in Paragraphs C.1.a. through C.1.c. above. In addition, the OUTWATS billing company will be paid Billing and Collection compensation as referenced in Paragraph C.1.a. above. Carrier common line compensation for terminating OUTWATS usage will be handled as described in Paragraph C.2. below.

- e. Until such time as the parties develop the means to identify terminating 800 Service usage by end user serving wire center, each company shall

receive a percent of its monthly intrastate, intraLATA billed 800 Service usage revenue as a surrogate for terminating carrier common line access compensation. The percent to be used shall be 25% based on a composite ratio of carrier common line compensation per access minute to 800 Service customer billed usage revenue per access minute. Due to the many complexities associated with properly processing 800 Service usage records, compensation for the traffic sensitive and originating carrier common line elements for 800 Service will be included in the company specific carrier common line rate developed for the Independent Company. In addition, the 800 Service billing company will be paid Billing and Collection compensation as referenced in Paragraph C.1.a. above.

2. The Independent Company will receive a company specific residually computed carrier common line (CCL) rate of .055604 cents per minute applied to the originating and terminating access minutes for intrastate intraLATA traffic in which it originates (OUTWATS usage). The carrier common line rate calculated for the Independent Company is determined by subtracting the traffic sensitive amounts, priced as described above, from the total intrastate intraLATA

"business-as-usual" (BAU) compensation for the twelve month period beginning January 1, 1991. The Independent Company's CCL rate will remain constant for the life of this agreement or until a change is mutually agreed to by each of the parties.

3. The Independent Company will receive its monthly compensation associated with its network functions, as defined in Paragraph A.4. above, if applicable.

The monthly network function compensation will be determined by:

- a. The Independent Company's existing frozen Network Transport rate.
- b. The Independent Company's existing Network Operator rate, which is subject to annual updates based on actual revenue requirements studies.
- c. Multiplying the sum of the Network Transport rate and the Network Operator rate by the total access minutes of use (utilizing such network) for the monthly settlement period.

- d. When a cost study to determine revenue requirements is necessary, as described in C.3.b. above, the study shall be conducted according to generally accepted accounting principles.

D. The Modified Revenue Distribution Fund shall be administered on a calendar month basis utilizing calendar month toll messages and usage. Toll revenue may be administered on a calendar month or a previous billing cycle basis. South Central Bell will coordinate the monthly gathering of any required data from the Independent Company and produce statements for the MRDF as detailed below:

1. The Independent Company shall report or have reported to South Central Bell its calendar month toll messages and usage by the tenth work day following the close of that calendar month. Toll revenues shall be reported on a calendar month or a previous billing cycle basis, to South Central Bell by the tenth work day of the following month also.
2. South Central Bell will provide by the fifteenth work day following the close of the calendar month a statement for the Independent Company detailing the following:

- a. Toll Revenues due South Central Bell from the Independent Company.
 - b. Access Charge based compensation due the Independent Company from South Central Bell.
 - c. Network Transport and Operator costs due the Independent Company from South Central Bell.
 - d. Net cash flow to or from South Central Bell.
3. When the Independent Company has a cash flow to South Central Bell the Independent Company shall tender payment in full to South Central Bell by the last work day of the month following the close of the calendar month under study. Likewise when South Central Bell has a cash flow to the Independent Company, South Central Bell shall tender payment in full to the Independent Company as described in 4. below. Subject to the discretion of the company due payment, a late payment fee of .05 percent per day may be charged on balances due after the due date.
4. South Central Bell will send payment to the Independent Company having a cash flow from it on the last work day of the month following the close of the calendar month under study.

5. Any studies or data supporting amounts received from South Central Bell will be subject to review by the Independent Company.
6. Network studies, messages, revenues, and minutes of use submitted by the Independent Company will be subject to review by South Central Bell.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 31
Page 1

REQUEST: If a CLEC's interconnection agreement allows a CLEC to define intraLATA calls as local calls, will BellSouth agree to provide that CLEC intraLATA access at the interconnection rate set forth in the agreement? If not, why not?

RESPONSE: The charges paid will be dependent upon the originating party's local calling area.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 32
Page 1

REQUEST: Produce all documents including but not limited to memoranda, workpapers, and analyses pertaining or relating to the interaction of this calling plan with, and/or relation of this calling plan to BellSouth's plans to offer interLATA services in Tennessee.

RESPONSE: No such documents exist.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 33
Page 1

REQUEST: Produce all documents pertaining or relating to any tests (including but not limited to market research tests) conducted for (sic) this calling plan with any proposed BellSouth (including BellSouth Long Distance ("BSLD")) interLATA plans.

RESPONSE: No such documents exist.

BellSouth Telecommunications, Inc.
Docket No. 98-00634
AT&T's First Data Request & Production
of Documents
February 22, 1999
Item 34
Page 1

REQUEST: Produce all documents pertaining or relating to the relationship of this calling plan with the introduction of 1+ IntraLATA presubscription.

RESPONSE: No such documents exist.

CERTIFICATE OF SERVICE

I hereby certify that on March 3, 1999, a copy of the foregoing document was served on the parties of record, via facsimile, hand delivery, overnight or U. S. Mail, postage pre-paid, addressed as follows:

Richard Collier, Esquire
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0500

James Lamoureux, Esquire
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1200 Peachtree St., NE
Atlanta, GA 30309

Carolyn Tatum Roddy, Esquire
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3100 Cumberland Circle, N0802
Atlanta, GA 30339

Any checks by first of permission